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CENTRAL INTELLIGENCE AGENCY

WASHINGTON, D.C. 20505

9 March 1982

Mr. Brian V. Kinney Chief, Declassification and Historical Research Branch Records Management Division Washington Headquarters Services Room 1D517, Pentagon Washington, D.C. 20301

Dear Mr. Kinney:

We have reviewed the classification status of the letter forwarded to us on 1 March 1982. The letter, without attachments, has been downgraded to Secret under Sections 1-301(c) and 1-301(d) of Executive Order 12065. The next review date for the memorandum is 1989.

The downgrading relates to the covering letter alone. If the attachment is found together with the letter, the Agency would have to review the entire package before downgrading it.

Sincerely,
Chief, Classification Review Division
Office of Information Services Directorate of Administration

Enclosure:

Letter from the DCI, dtd 11 Dec 51; Subj: Assets in China, w/o att

Distribution:

Orig - Addressee w/att

ĭ - Liaison w/DOD w/att

1 - Chrono w/o att

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The Policy Company of the Pol

Office of the Director

Dec 11 1951

The Honorable Robert A. Lovett The Secretary of Defense Washington, D.C.

Dear Mr. Secretary:

In anticipation of the probability of a military cease-fire in Korea, as well as the possibility of a breakdown in negotiations, it becomes important to review our assets in China proper and the effect thereon of either development. A year ago the Chinese Nationalist Government claimed the existence of 1,500,000 guerrillas on the Mainland of China, and although we believe that this figure was enggerated, we know that during the past year the effective action of the Chinese Communist forces has greatly reduced the number of guerrillas. The current CIA estimate is approximately 165,000. A military cease-fire on the Korean positions will probably restore freedom of movement to a major portion of Chinese forces now confronting us, and it is to be assumed that the Chinese forces now confronting us, and it is to be assumed that the Chinese forces now confronting us, and it is to be assumed that the Chinese forces now confronting us, and it is to be

Another asset is the Chinese Nationalist Forces on Taivan. Their army new consists of about 450,000 grand troops in fair state of small unit training but with inadequate equipment and in a poor state of combat effectiveness. Their small keys and Air Force have both deteriorated militarily as a result of lack of equipment and training facilities. These forces will within four years begin to untergo a rapid deterioration through age alone. They, like the guarrillas on the Mainland, represent a vaning asset which will have to be strongthened, built up, and used within the immediate foresocable fature if we are to get any benefit from them.

The military and occurring programs for the support of Taiwan, such as they are, have attained only limited success. This is due in part at least to Bationalist refusal to effect political reform and particularly to the failure of the Mationalist Covernment to eliminate corruption emeng its officials.

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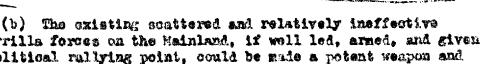


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Recent studies based on personal observation on the spot by several qualified officers indicate the following:

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(a) The Chinese Mationalist forces are not as ineffective potentially as the pessimistic reports made a year age, by our Service Attaches then on Taiwan, would indicate. Meither are they as effective as the optimistic reports of Americans now employed directly or indirectly by the Chinese Mationalist Government would indicate. My belief is that they can be made effective and that if U. N. policy permitted, and if the Mationalist Government would cooperate effectively, Chinese Mationalist divisions could be rotated to Korea and might serve very creditably. It is the opinion of General Myman and other qualified observers that the presence of a Mationalist division in Korea in contact with former Mationalist troops now serving the Communist Government would have a marked psychological effect.



guerrilla forces on the Mainland, if well led, armed, and given a political rullying point, could be made a potent weapon and might contain much stronger Chinese Communist forces.

(c) The presence on Taiwan of a Chinese Nationalist force

(c) The presence on Taiwan of a Chinese Nationalist force gaining in strength as the result of training, improved morale, and improved equipment, would, particularly if its combat training should include repeated and aggressive raids and temporary thrusts onto the Mainland, impobilize for coastal defense a considerable proportion of the better troops of the Chinese Communist Army and a large quantity of its military transport.

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In my opinion if we are to obtain the full effect of the possibilities summerated above, two things are required. The first is a change in our own policy with respect to employment of Chinese Mationalist forces and a more aggressive approach to the use of guerrillas. Second: political reform of the Chinese Mationalist Government is essential. So far U. S. efforts to encourage such reform have been almost without success as the



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controlling clique of the KMT has been unwilling to loosen its stranglehold on the Government. It is probable that this intransigeance stems from the belief that maintenance of the status quo gives this clique an exclusive claim to reinheritance of the Hainland as a by-product of U.S.

Attached are two studies bearing on the basic subject which I suggest be given military staff consideration. One of these represents the views of the Estimates Division of this Agency which, although not an IAC coordinated paper, reflects the most recent estimates of the military intelligence agencies. As will be noted, this paper does not concern itself with the beneficial effects which would result from an improvement of the political situation on Taiwan.

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These are my personal views, based on convergations with all those in this Agency who are giving consideration to the exploitation of our assets in the Far East. I recommend, however, that the Joint Chiefs of Staff consider this general subject and the attached papers as a matter of urgency for the purpose of amplifying and firming up our present program and, if indicated by mature consideration, producing recommendations which will crystallize our governmental policy toward the strengthening of Taiwan as an anti-Communist base militarily, economically, politically, and psychologically. It seems to me that the self-interest of the United States demands this.

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Sincerely,

s/ Walter B. Smith t/ Walter B. Smith Director

Enclosures (2)

Copy of letter with enclosures: The Secretary of State



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WASHINGTON, HEADQUARTERS SERVICES
WASHINGTON, D.C. 20301

March 1, 1982

MEMORANDUM FOR THE CHIEF, CLASSIFICATION REVIEW DIVISION, CENTRAL INTELLIGENCE AGENCY

SUBJECT: Request for Declassification Review

During the systematic review of all classified Office of the Secretary of Defense (OSD) documents over 20 years old, the Declassification and Historical Research Branch, Records Management Division, Directorate for Correspondence and Directives, Washington Headquarters Services, turned up the attached document(s).

The documents were either originated by your agency, contain information for which your agency is the classification authority, or are otherwise of interest to you.

It is therefore requested that your agency review the documents and recommend declassification, continued classification at the present or lesser level of classification, and/or review by other agencies. If your agency is recommending continued classification, in accordance with Paragraph 3-401, Executive Order 12065, it is requested that an authority for continued classification be specified, along with a date for the next review.

The time permitted by Executive Order 12065 to reach the point where all OSD documents over 20 years old have been reviewed, and the large volume of over 20 year old OSD documents, make it necessary to request your response within 60 days. In your response, you may wish to provide guidance with regard to what categories of information you do and do not wish to have referred to you in the future.

Your assistance in effecting this review will be most appreciated. Please return the documents to Mr. Brian V. Kinney, Chief, Declassification and Historical Research Branch, Records Management Division, Washington Head-quarters Services, Room 1D517, Pentagon, Washington, D.C. 20301, upon completion of your review.

Without attachments, this memorandum is UNCLASSIFIED.

OSD Records Administrator

Attachments (1)
Letter, Dec 11, 51, Re: Assets in China/wo Attachments (TS)

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